

104TH CONGRESS
1ST SESSION

H. R. 2834

To amend the Higher Education Act of 1965 to improve accountability
and reform certain programs.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 22, 1995

Mr. KLINK introduced the following bill; which was referred to the Committee
on Economic and Educational Opportunities

A BILL

To amend the Higher Education Act of 1965 to improve
accountability and reform certain programs.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Federal Accountability
5 and Institutional Reform in Education Act of 1995”.

6 **SEC. 2. FINDINGS.**

7 The Congress finds that—

8 (1) the Federal Government is reducing spend-
9 ing in all areas, including postsecondary education;

1 (2) reductions in postsecondary education
 2 spending fall on students, schools, State loan guar-
 3 anty agencies and lenders;

4 (3) the administration of postsecondary edu-
 5 cation is the responsibility of the Department of
 6 Education; and

7 (4) reforms should be made to postsecondary
 8 education programs to provide greater accountability
 9 from the Department, educational institutions, lend-
 10 ers, and guarantee agencies and to enhance institu-
 11 tional compliance with Department policies.

12 **SEC. 3. STUDENT LOAN COHORT DEFAULT MANAGEMENT**
 13 **REFORMS.**

14 (a) ADMINISTRATIVE AND FISCAL PROCEDURES.—
 15 Section 428(c)(2)(A) of the Higher Education Act of 1965
 16 is amended by striking “proof that reasonable attempts
 17 were made” and inserting “proof that the institution was
 18 contacted and other reasonable attempts were made”

19 (b) REIMBURSEMENT.—Section 428(c)(2)(G) of the
 20 Higher Education Act of 1965 is amended by striking
 21 “certifies to the Secretary that diligent attempts have been
 22 made” and inserting “demonstrates to the Secretary that
 23 diligent attempts, including direct contact with the institu-
 24 tion have been made.”.

1 (c) LIMITATION.—Section 428 of the Higher Edu-
2 cation Act of 1965 is amended by adding at the end the
3 following:

4 “(o) LIMITATION.—Notwithstanding any other provi-
5 sion of this section, the Secretary shall not reimburse or
6 permit any eligible lender, servicer, or guaranty agency (or
7 its affiliates) who previously filed a claim for reimburse-
8 ment on a loan to retain any proceeds from rehabilitation
9 of a defaulted loan to the extent that such funds, when
10 added to the amount of prior reimbursement under this
11 section, exceed 100 percent of the original principal of the
12 loan.”.

13 (d) NOTICE TO SECRETARY AND PAYMENT OF
14 LOSS.—Section 430(a) of the Higher Education Act of
15 1965 is amended—

16 (1) by inserting “all” after “required to meet”;
17 and

18 (2) by inserting “the institution was contacted
19 and other” after “submit proof that”.

20 (e) ANNUAL REPORT.—Section 430 of the Higher
21 Education Act of 1965 is amended by adding at the end
22 the following:

23 “(f) ANNUAL REPORT.—The Secretary shall report
24 annually to Congress that lenders, servicers and guaranty
25 agencies have attested to their compliance with servicing

1 and due diligence requirements, under both statute and
 2 regulation. The Secretary shall also provide information
 3 on the successful practices of low-default lenders, servicers
 4 and guaranty agencies to other financial, servicing and
 5 guaranty institutions participating in this title to encour-
 6 age duplication of successful servicing and collection pro-
 7 grams.”.

8 (f) CIRCUMSTANCES.—Section 435(a)(2) of the
 9 Higher Education Act of 1965 is amended by adding at
 10 the end the following:

11 “(D) The circumstances referred to in subpara-
 12 graph (A)(ii) shall be uniformly applied to all eligible
 13 institutions and shall require that such an institu-
 14 tion meet the following criteria:

15 “(i) Not less than 50 percent of the stu-
 16 dents enrolled in eligible programs qualify for
 17 an award under subpart 1 of part A of title IV.

18 “(ii) The institution’s student completion
 19 rate, as calculated under the Student Right to
 20 Know provisions of this title, is 60 percent or
 21 greater.

22 “(iii) The initial job placement rate of pro-
 23 gram graduates is 60 percent or greater.”.

24 (g) COHORT DEFAULT RATE.—Section
 25 435(m)(1)(B) of the Higher Education Act of 1965 is

1 amended by striking “paid claims” and inserting “prop-
2 erly paid claims as required in section 430 of this Act”.

3 **SEC. 4. ELIGIBLE INSTITUTION REFORM.**

4 Section 481 (b) of the Higher Education Act of 1965
5 is amended—

6 (1) by inserting before the period at the end of
7 the first sentence the following: “on the basis of a
8 review by the institution’s independent auditor using
9 generally accepted accounting principles”; and

10 (2) by inserting before the second sentence the
11 following:

12 “For the purposes of paragraph (6), revenues from
13 sources that are not derived from funds under this title
14 include revenues from programs of education or training
15 that do not meet the definition of an eligible program in
16 subsection (e), but are provided on a contractual basis
17 under Federal, State or local training programs, to busi-
18 ness and industry, or to other eligible applicants. For the
19 purposes of determining whether an institution meets the
20 requirements of paragraph (6), the Secretary shall not
21 consider the financial information of any institution for
22 a fiscal year that began on or before April 30, 1994.”.

1 **SEC. 5. ACCOUNTING PROCEDURES FOR INSTITUTIONAL**
2 **PROGRAM PARTICIPATION.**

3 Section 498(c) of the Higher Education Act of 1965
4 is amended by inserting “, based on an audited financial
5 statement using any generally accepted accounting prin-
6 ciples” after “is able”.

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